

Interwest Energy Alliance

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Arizona Corporation Commission
Attn: Ray Williamson (rwilliamson@cc.state.az.us)
and Barbara Keene (bkeene@cc.state.az.us)
1200 West Washington Street
Phoenix, Arizona 85007
(Comments submitted by e-mail)

RE: Issues Related to Environmental Portfolio Standard Rules (A.A.C. R14-2-1618)

Dear Mr. Williamson and Ms. Keene:

I appreciate the opportunity to provide comment for the record on the four issues raised in the Commission's letter of 6 February 2004 and the additional three issues raised in the follow-up letter of 17 February 2004:

Original Four Issues:

1. A discussion of increasing Environmental Portfolio Standard ("EPS") funding levels.
2. Elimination of the EPS expiration date.
3. Restoration of Demand Side Management ("DSM") funding.
4. Allocation of funding among various technologies.

Additional Issues:

5. Whether or not Arizona can and should increase its commitment to renewable energy by increasing the surcharge and the portfolio percentage.
6. Review of the requirements for the phase-in of renewable technologies found in A.A.C. R14-2-1618 B. 3. Review whether the approach of static percentages is still justified and if so, whether those percentages should be reconfigured.
7. Consideration of inclusion of new and emerging technologies as part of the review of the appropriate resource mix.

The Interwest Energy Alliance supports the Environmental Portfolio Standard and the efforts (conducted primarily by the solar energy community) to ensure its ongoing viability. We also believe that energy efficiency is an important component of a modern

electric power infrastructure and that DSM funding should be restored to the extent possible.

The Interwest Energy Alliance represents some of the nation's leading companies in the wind energy industry, including GE Wind, PPM Energy, SeaWest and Vestas America. Arizona has a tremendous mix of renewable energy resources, and we look forward to working with the Commission in developing policies to leverage these resources for the benefit of the entire state.

These comments will focus primarily on Issue 5, related to increasing the EPS levels.

Issue 5: Whether or not Arizona can and should increase its commitment to renewable energy by increasing the surcharge and the portfolio percentage.

Recommendation: Interwest Energy Alliance recommends that the Arizona Corporation Commission increase its commitment to renewable energy significantly by implementing a 1,000 MW Renewable Energy Portfolio Standard, without a surcharge, for eligible renewable energy technologies.

The Commission's vote on 10 February to increase the EPS to 1.1 percent, with 60 percent of that coming from solar technologies, reinforces Arizona's national leadership role in advancing solar energy. This is an appropriate way of leveraging Arizona's tremendous solar resource potential and should continue to benefit the state in many ways.

Now, the commission has a chance to increase its commitment to renewable energy significantly by implementing a renewable energy standard that leverages Arizona's huge wealth of renewable energy resources from wind, geothermal, biomass and small hydro.

Resource assessments commissioned by Northern Arizona University show that Arizona has over 2,600 megawatts (MW) of cost-effective, developable (class 4 and higher) wind energy potential with a 30-percent capacity factor or higher. This estimate excludes urban areas, national parks and national monuments, and demonstrates the state's high wind generation potential. In addition, the U.S. Geologic Survey reports that Arizona has about 1,000 MW of geothermal energy potential. Arizona also has developable potential in biomass and small hydro resources.

These tremendous resource potentials show that a 1,000 MW renewable energy portfolio standard in Arizona is feasible, desirable and achievable without subsidies from state government coffers.

Economic Benefits of Renewable Energy

The new economic activity that such a renewable energy standard would generate offers an unparalleled opportunity for rural economic development: over 400,000 man-hours are required for the construction of a typical 100 MW windfarm, providing many construction jobs and a number of full-time operations and maintenance positions. Small communities throughout the country have seen their tax revenues skyrocket when windfarms are built, providing benefits to schools, local medical services and other county functions. These economic benefits can help small communities maintain economic vitality and retain young people in the local area.

Consumer Benefits of Renewable Energy

With increased renewable energy penetration in the electricity portfolio, consumers would benefit from the stable electricity rates and risk-mitigation benefits that renewable technologies offer. Further, competitive bidding for renewable resources under an RPS would illustrate the long-term favorable cost of renewable energy technologies in the generation mix.

Why a Renewable Energy Portfolio Standard?

Even though many renewable energy technologies, such as wind, are cost-effective now, standards are needed to encourage the utilities to evaluate them fairly in their resource planning.

States throughout the southwest have adopted or are pursuing aggressive RES measures, including New Mexico, Nevada and California. Arizona utilities themselves are beginning to purchase wind energy from other states, such as the Salt River Project's wind purchase from PNM in New Mexico. An Arizona RES would maintain the state's competitive position and help ensure that development—and the associated benefits of such development—remains in Arizona.

Thus, we respectfully urge the Arizona Corporation Commission to implement a 1,000 MW renewable energy portfolio standard that will complement the successful EPS and leverage Arizona's wealth in wind, geothermal, biomass and other abundant and inexhaustible renewable energy resources.

Thank you for this opportunity to share our comments. I look forward to working with you and the Commissioners to develop policies that will leverage Arizona's tremendous renewable energy resource mix and provide significant new economic development opportunities in the state.

Sincerely,

Craig Cox
Executive Director